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ECONOMIST
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Investors' sentiments remained cautious as tensions in Middle East simmered with the ceasefire between US and Iran now ended. Both US and Iran have upped their offensive, effectively ruling out any hopes of further negotiations. Oil prices edged up further, leading to fresh inflationary concerns. Separately, GDP growth in Japan moderated to 1.1% in Apr-Jun'26 (est. 2%) following an increase of 1.9% in the last quarter. The dip was largely attributed to weak private consumption. In China, industrial production growth slowed to 4.5% in Jul'26 from 5.3% in Jun'26. Retail sales also decelerated to 0.6% compared with a 1% increase in Jun'26. Fixed asset investment growth declined by 6.7% in Jan-Jul'26, after declining by 5.7% in Apr-Jun'26.

- Stocks in the US and UK edged down amidst reports of unrest in Lebanon and anticipation of fresh sanctions by the US on Iran. Both Dow Jones and S&P 500 declined by 0.5% each. Asian stocks rose, led by gains in technology shares. Sensex moderated tracking global cues. It is trading further lower today, while other Asian stocks are trading mixed.

Table 1 – Stock markets

	14-08-2026	17-08-2026	Change, %
Dow Jones	53,732	53,460	(0.5)
S & P 500	7,786	7,745	(0.5)
FTSE	10,750	10,720	(0.3)
Nikkei	68,714	69,220	0.7
Hang Seng	25,117	25,453	1.3
Shanghai Comp	3,927	3,983	1.4
Sensex	78,009	77,728	(0.4)
Nifty	24,366	24,288	(0.3)

Source: Bloomberg, Bank of Baroda Research

- Global currencies ended mixed. DXY edged down as investors lowered the probability of Fed rate hike in Sep'26 after weak economic data. EUR gained by 0.1%. INR depreciated by 0.2% as oil prices continued to edge up. It is trading further weaker today, while other Asian currencies are trading mixed.

Table 2 – Currencies

	14-08-2026	17-08-2026	Change, %
EUR/USD (1 EUR / USD)	1.1570	1.1580	0.1
GBP/USD (1 GBP / USD)	1.3538	1.3544	0
USD/JPY (JPY / 1 USD)	159.32	159.46	(0.1)
USD/INR (INR / 1 USD)	95.44	95.61	(0.2)
USD/CNY (CNY / 1 USD)	6.7425	6.7408	0
DXY Index	99.67	99.64	0

Source: Bloomberg, Bank of Baroda Research

- Barring China (stable), other global yields inched up. Inflationary and fiscal concerns reignited in major economies amidst the continued impasse in US-Iran peace deal. US 10Y yield rose the most, followed by the UK and Germany. India's 10Y yield rose by 5bps tracking higher oil prices. It is trading further higher at 6.83% today.

Table 3 – Bond 10Y yield

	14-08-2026	17-08-2026	Change, bps
US	4.69	4.72	3
UK	5.04	5.06	2
Germany	3.20	3.22	2
Japan	2.89	2.92	3
China	1.68	1.68	0
India	6.76	6.81	5

Source: Bloomberg, Bank of Baroda Research

Table 4 – Short term rates

	14-08-2026	17-08-2026	Change, bps
Tbill-91 days	5.24	5.24	0
Tbill-182 days	5.53	5.53	0
Tbill-364 days	5.68	5.68	0
G-Sec 2Y	6.14	6.19	5
India OIS-2M	5.30	5.30	0
India OIS-9M	5.61	5.65	4
SONIA int rate benchmark	3.73	3.73	0
US SOFR	3.62	3.62	0

Source: Bloomberg, Bank of Baroda Research

Table 5 – Liquidity

Rs tn	14-08-2026	17-08-2026	Change (Rs tn)
Net Liquidity (-deficit/+surplus)	4.0	3.6	(0.4)

Source: RBI, Bank of Baroda Research

Table 6 – Capital market flows

	13-08-2026	14-08-2026	change (US$ mn/Rs cr)
FII (US$ mn)	(128.5)	403.1	531.6
Debt	(165.3)	(27.8)	137.5
Equity	36.8	430.9	394.1
Mutual funds (Rs cr)	(2,183.2)	10,525.5	12,708.7
Debt	(6,975.6)	5,953.7	12,929.3
Equity	4,792.4	4,571.8	(220.5)

Source: Bloomberg, Bank of Baroda Research | Note: Mutual fund data as of 13 Aug and 12 Aug 2026

- Oil prices rose as tensions between US and Iran flared up.

Table 7 – Commodities

	14-08-2026	17-08-2026	Change, %
Brent crude (US$/bbl)	88.5	90.9	2.7
Gold (US$/ Troy Ounce)	4,376.4	4,416.0	0.9
Copper (US$/ MT)	14,576.3	14,594.0	0.1
Zinc (US$/MT)	3,862.5	3,851.9	(0.3)
Aluminium (US$/MT)	3,252.0	3,266.5	0.4

Source: Bloomberg, Bank of Baroda Research

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